FEBRUARY 6, 1967

THE KENNEOY ROUND: TIME FOR REFLECTION AND DECISION

INOONESIA STRIVING TO PULL OUT OF ECONOMIC TANGLE

FOREIGN AGRICULTURE

Including FOREIGN CROPS AND MARKETS

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Much work must be done in a short time if success is to be expected in this drawn-out round of agricultural negotiations under the General Agreement on Tariffs and Trade.

The Kennedy Round: A Time for Reflection and Decision

By HOWARD L. WORTHINGTON
Deputy Assistant Administrator, International Trade
Foreign Agricultural Service

Participants in agricultural trade negotiations of the Kennedy Round have spent the last couple of months reviewing positions and developing strategy for forthcoming meetings. With these meetings—which will begin as soon as the European Economic Community's (EEC) position assessment is in—negotiations will move into their final stages, forcing those tough decisions on what can and can't be bargained for and what must be withdrawn.

At the end of last November, most of the major negotiating countries—the United States, Japan, the United Kingdom, Scandinavian countries, and others—exchanged preliminary assessments of the present balance of concessions. These assessments were in the form of lists: each country prepared a list of concessions it might be able to add to its present offers, a list of concessions it wanted others to add to their offers, and a list of offers now on the table which it might have to withdraw if others were not able to add to their offers.

This was not a precise balancing exercise—the kind you would expect of the end of a negotiation. Rather, it was intended to give all of us a better indication of where each stands in relation to the other, and a clearer picture of the shape of any final Kennedy Round bargain.

The EEC, however, hasn't yet given its assessment. What the EEC decides will be crucial—for the whole negotiation and particularly for agriculture.

This isn't to belittle the importance of our other agricultural trading partners or to say that we couldn't look forward to reaching agreements with some of them on a limited measure of agricultural trade liberalization, irrespective of the EEC position in the agricultural negotiations, or to imply that U.S. agricultural exports on the whole are going to decline drastically if a settlement with the EEC is not reached.

Large trade outside the EEC

Export data show the importance to the United States of non-EEC trading partners. In the fiscal year ending last June, total U.S. farm exports for dollars amounted to just over $5 billion. Of this, $3.5 billion, or 70 percent, was bought by countries other than the EEC. Japan was our largest single country market, taking over $900 million worth of our farm goods. Canada took $629 million; the United Kingdom, $432 million. These countries would buy more if some of the barriers which exist in their markets were reduced or eliminated.

It is conceivable, also, that we could reach Kennedy Round agreements with some of these countries to liberalize trade barriers on a few products even if a satisfactory settlement with the EEC is not possible. Some barriers could be reduced—even under most-favored-nation treatment—without conferring any significant trade benefits upon the EEC countries.

Japan could cut its duty on soybeans, for example, without benefiting the EEC because the EEC doesn't produce soybeans. Canada could cut its duties on many fruits and vegetables where the trade is largely between the United States and itself. Australia could cut duties on tobacco. There are other possibilities.

But the scope of any negotiation settled in this fashion would be severely limited: first, because of the extreme selectivity which would have to go into putting together such a package; and second, because of the psychological impact on everyone of the failure of the largest agricultural importer to conclude a satisfactory agreement.

It is true, also, I believe, that the United States will continue to increase its total farm exports even if there is not a satisfactory settlement with the EEC. Secretary Freeman has said he thinks total U.S. agricultural exports might reach $8 billion yearly by 1970. FAS Administrator Raymond Ioanes has said exports of $10 billion can be looked for by 1980. Both were thinking of a successful Kennedy Round, no doubt, when they made their estimates. But there are factors working to expand exports which go well beyond negotiations. I refer to economic growth, population growth, and expanding food needs of the less developed countries.

The future of the EEC as a market is cloudy, but even to that area, our exports of some products should hold up well. Some of the products we sell the EEC are not produced there and will continue to be purchased. In fiscal 1966, for example, the EEC bought $408 million of our oilseeds and meal and $53 million of our cotton. It will probably continue to buy increasing quantities of soybeans and meal as its livestock industry develops.

Grain the big question

The biggest question is grain. In fiscal 1966, the EEC countries bought $650 million worth of U.S. grain, mainly corn and sorghum. The future of this feedgrain trade is uncertain, because the EEC can produce, and is producing, more grain; and the EEC system of relatively high internal grain prices could, unchecked, progressively close that market to the world's grain exporters. Changing French feeding practices will also have a lot to do with how much grain we sell.

Out of the $1.6 billion total exports to the EEC in 1966, just about $1 billion was in feedstuffs—grains and soybeans and meal. Most of the increase in our trade with the EEC in recent years also has been in these two product groups.

It goes without saying, therefore, that our exports to the EEC and to others in the years ahead would be much larger—and export prospects much brighter—if the EEC were a full participant in the Kennedy Round.

Based on an address by Mr. Worthington before the 38th Annual Meeting of the National Council of Farmer Cooperatives in New Orleans last month.

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Role of the EEC in negotiations

There are two major economic reasons why the EEC is important.

First, it is important as a trader. The EEC is the world's largest importer of agricultural products. In 1964, the EEC countries imported $11.1 billion worth of agricultural products, of which $8.6 billion came from nonmember countries. This included $1.5 billion from the United States, $1.5 billion from Latin America, $1.4 billion from EFTA and other non-Communist European countries, $1.0 billion from African countries not associated with the EEC, and $0.8 billion from Asian countries other than Mainland China.

Many of the imported products—such as grain—are also produced by the EEC countries, or by their associated territories, who enjoy preferential entry privileges.

Moreover, the EEC is a major exporter of agricultural products and thus a competitor in many outside markets with its suppliers. EEC exports to third countries amounted to $2.2 billion in 1964, about half of which went to EFTA ($941 million) and other European countries.

Second, members of the EEC are being merged into a customs union behind protectionist walls higher, more extensive, and more secure than anyone ever thought would be built around them. In one form or another, variable levies soon will apply to practically every agricultural product produced in any quantity in the EEC—and to the processed products deriving from these.

A very recent EEC regulation extended variable levy protection to such things as albuminates (egg and milk base), chewing gum (a sugar base), and breakfast foods (a cereal base). These will now be placed under an import system about like that which applies to chickens (also a cereals base product).

Earlier but still very recent decisions increased protection on sugar, fruits and vegetables, and rice.

The essence of any customs union is discrimination against outsiders. In the case of the EEC, this discrimination is severe. Not only will members have free entry to each other's markets—which they did not have before the market was formed—but protection against outsiders will be increased sharply over pre-EEC levels, thus putting the outside suppliers in an even worse competitive position.

The EEC import levy/export subsidy system is a severe threat to many countries. These countries have looked upon the trade negotiations as one way in which to deal with this threat.

EEC slows negotiations' progress

The distressingly slow pace of the negotiations, however, has been largely set by the EEC.

The negotiations got underway officially in early 1963. Even then, it was clear that there would be differences between most countries and the EEC over what kind of negotiation we would have in agriculture. These differences were sharply defined in the fall of that year when the EEC put forward its "margin of support" plan.

We pressed for a simple rule of tariff reduction and liberalization of nontariff barriers and variable levies. But the EEC proposed, instead, a complicated plan patterned after their developing CAPs. This would have frozen temporarily EEC common support prices, but would have permitted the variable levy system to continue to work without any change or reduction. This negotiating rule would not have liberalized trade, and the United States and other agricultural exporters could not accept it.

Over the next 2 years, several deadlines for making agricultural offers were set, but the EEC failed to meet them. Other countries were not willing to negotiate seriously until the EEC could also negotiate.

The EEC CAP for grain was completed early in 1965, and in June of that year, all countries tabled offers on grains and the negotiations on these products were begun. The original EEC offer was based on the EEC margain of support plan.

At the end of June, the EEC was caught up in its internal crisis over agricultural financing and other matters. Negotiations in grain came to a stop, and agricultural negotiations, in general, were delayed.

The EEC surmounted its crisis early last year, and settled the major outstanding issues for many of its CAPs by the middle of the year. Common agricultural prices for the outstanding commodities were agreed upon.

Finally, the EEC tabled a partial offer in July of 1966. Even then, however, it was unable to table offers on a number of important products, and many of the offers which were tabled were incomplete in important details. Even now, we do not have the details which are needed for the proper evaluation of these offers. Nor have offers on the other products—long promised by the EEC—been tabled in Geneva.

Nevertheless, the July tabling of EEC offers gave countries an opportunity to begin bilateral negotiations with the EEC and with each other and enabled the meat and dairy groups to meet. At the same time, also, the EEC tabled a revision of its grains offer and that group resumed its discussions.

All of these discussions and negotiations were carried on up to the November 30th assessment.

Where we stand now

Let me go briefly into the current situation, by group.

Grain:—This is the heart of the current negotiations. The United States, Canada, Australia, Argentina, the EEC, the United Kingdom, Japan, Switzerland, and Norway are now participants in this negotiating group. If these countries can map out an agreement, they will expand it to include other interested countries. As with all of the negotiating groups, however, there has been an attempt to keep the initial membership limited—at least until some progress is made.

The group is negotiating on wheat and feedgrains. The United States is seeking assurances on four major points:

- Improved access to importer markets;
- Improved export earnings through remunerative world prices;
- Participation by all exporters in managing supplies for commercial markets;
- Participation in food aid by exporters and importers.

The opportunity to compete for traditional import markets is one of the cornerstones of our position in grains, as it is, in fact, for all commodities. And not only the EEC is involved here. In many importing countries, grain production is increasingly shielded from international competition. The United Kingdom system of pay-

ments to its producers is stimulating production and may continue to shrink that market.

The United States and other major exporters want assurance from the importers that exporters can continue to supply—as a minimum—the traditional or historic percentage of total requirements in these markets. This includes an allowance for market growth.

Good prices are a second assurance we seek. Exporting countries have proposed that the range of world trading prices for wheat be raised substantially. Today's minimum world trading price for wheat under the International Wheat Agreement is not good enough, even for the most efficient growers in the world. The United States is supporting the effort to negotiate higher prices that will help assure strong prices for U.S. farmers.

If prices are increased through negotiation, there is need for a mechanism to spread responsibility for keeping them above minimum levels. Historically, the United States has borne most of the burden of market stabilization under the IWA. We are no longer willing to carry this burden. Today, we are competing actively for markets; we are determined to keep doing so.

Finally, we are convinced of the need for broader participation in food aid. It is neither right nor physically possible for the United States to continue to bear the burden of feeding the hungry of the world all alone. Others should contribute as a matter of policy.

None of these aims of ours is yet fully accepted by all the participants in the group. Much remains to be negotiated in the few months left to us.

Beef and veal; dairy products:—Participants in these two negotiating groups—the United States, the United Kingdom, the EEC, and Japan—are major importers and exporters of the products involved.

The work of these groups, for many reasons, is by no means as advanced as that of the grains group. There isn't the tradition of international negotiations, or of price cooperation, which underlies grains: in meats and dairy, for example, nothing like the IWA exists. There is a healthy skepticism on the part of some members of each group that a world arrangement is either needed or possible to negotiate in either commodity.

Finally, both products, particularly dairy, present difficult economic and political problems for all participants. These problems make it virtually impossible for any one country to liberalize its imports of the more important dairy products—butter and cheese—unless all other major participants do so as well. This is extremely difficult. The EEC, for example, now holds large surpluses of butter. With its support prices increasing to higher CAP levels, the EEC appears headed toward even greater surpluses. The U.K. butter market, which accounts for about three-fourths of the world trade in butter, is protected by quotas. Japan's market is protected by quotas. The United States is no exception; under Section 22, we, too, have a quota system.

In both the meat and dairy groups, a host of ideas has been put forward, but the key elements under discussion are similar to those which are being considered in grains: access to markets, remunerative prices, limits to export subsidization, and food aid. Intensive negotiation is needed in these groups if agreements are to be reached.

Other temperate commodities (e.g., poultry, tobacco, fruits and vegetables):—The United States is both a major exporter and importer of the products in this sector. Negotiation on these products has been conducted largely between pairs of countries on the basis of a common trade interest and in response to offers and requests. The United States, for example, has sought to negotiate with every negotiating country on every product in which we have a significant export interest, whether or not that country has made an offer. If no offer has been made, we have requested one. If an offer has been made, we have sought to have it improved.

In August of 1965, before any country had tabled offers, we gave to each major country a list of the products on which we would seek concessions. We have been over this list with most countries several times. We have identified the products of particular interest to us, the concessions we would want—and we have established priorities of negotiation. Each of our negotiating partners knows fully our interests and our views.

Most major countries, also, have given us their requests and priorities in greater or lesser detail.

Our initial offers, however, went a long way toward meeting the legitimate requests of others. We made a generous offer—but said it would have to be withdrawn if it went unreciprocated.

It is no secret that the United States is disappointed with the offers which have been made by others. They are clearly inadequate both in product coverage and in degree of liberalization.

We are sadly disappointed with the offers made to date by the EEC. These are entirely in terms of the EEC system. Very few represent true trade liberalization or betterment of the situation for exporters. Most would just bind the situation that will result from the completion of the EEC variable levy system. It is hard to escape the judgment that EEC offers are designed almost entirely to obtain international approval of this system.

Tropical products:—The United States is largely an importer of these products, which are of export interest principally to the less developed countries of the world. The rules of the negotiation recognize that these countries cannot be expected to pay in full for betterment of their trading conditions. Our Trade Expansion Act, and our policy, however, require equivalent liberalization from other developed countries—and particularly from the EEC—before the full duty reducing authority we have available can be used.

As with food aid, the burden of assisting less developed countries should be shared by all. It is not yet clear how much of our authority in this area of the negotiation will be usable. To date, the EEC has shown little enthusiasm for matching what we would want to do.

Must soon end

The negotiation must end within a few months as the President's authority to cut duties expires at the end of June. It is clear that there is much work and negotiation ahead of us if we are to reach any respectable settlement.

It is clear, also, that this work can be done only if the governments concerned end their period of review quickly with firm decisions to strengthen their offers and to empower negotiating teams to move rapidly to a mutually beneficial conclusion. Anything less will just not do.

Western Europe's Wheat Acreage Low Again Because of Rain

For the second successive year, recurring precipitation beginning about mid-November has prevented wheat farmers of Western Europe from planting planned winter acreages. Seeding progressed well generally from the beginning of September 1966 through the first half of November when heavy rains began to retard fieldwork.

In local areas mild weather in early January permitted some additional seeding. Even with these acreages plus larger areas planned for spring wheat, the outlook in 1967 is for a total wheat acreage of Western Europe as low as, or perhaps below, the reduced acreage of 1965-66.

Therefore, prospects for a larger wheat crop in Western Europe than the reduced 1966 harvest are not bright. Generally, current crop conditions appear not any better than a year ago. An additional deterring factor is a sharp acreage decrease in Italy, the second largest producer, as a result of widespread floods in early November in principal wheat-growing states.

Western Europe's reduced wheat acreage of last year (1965-66) is estimated at 43.57 million acres, 7 percent below the 1964-65 record of 46.6 million acres and 4 percent less than the average of 45.4 million acres during the 5 years ended in 1964. Principal declines were in France, the United Kingdom, Sweden, and several smaller producing countries of northern Europe.

Similar to the situation a year ago, in late 1966 continued wet weather again reduced seeding in France and the United Kingdom. Decreased wheat plantings in Italy more than offset a larger acreage in Western Germany.

In France, the main grower, the winter wheat area is smaller even than the reduced acreage of 1965-66. The official estimate of acreage planted as of January 1, 1967, is 8,039,000 acres compared with the corresponding estimate of 8,680,000 acres at the beginning of 1966. Total acreage in winter and spring wheat harvested in 1966 was 9,862,000 acres, 12 percent less than in 1965 and 6 percent below the average.

Heavy floods in November ruined thousands of acres in the main soft wheat states of north and north central Italy, where wheat yields usually compare favorably with the high yields of France and West Germany. The durum crop of southern Italy, with normally lower average yields per acre, is reported as progressing satisfactorily.

Planting conditions in Western Germany this fall were more favorable than in the last 2 years. Acreage is up 4 percent, and is expected to be the largest since the postwar record in 1963-64. In mid-January, crops were in satisfactory condition.

Spain's planned acreage is reported at about the same level as that planned for 1965-66. However, at this time, a crop as large as the high-yielding outturn of last year cannot be predicted. In Denmark, acreage is below even the reduced level of 1965-66.

Plantings in Portugal were finished in good condition, and both acreage and output should exceed the poor performance of last season. Sweden's fall-planted wheat is estimated at 510,000 acres, about 16 percent above the corresponding estimate a year ago.

—L. Thelma Willahan
Grain and Feed Division, FAS

India Raises Its Support Prices for Wheat and Chickpeas

India's Ministry of Food and Agriculture announced on January 6 that minimum support prices of wheat for the 1967 spring harvest have been raised by 4 rupees to 7.25 rupees per quintal (14.5-26.3 cents per bu.) from the 1966 level. Support prices for chickpeas have also been raised, by 2.50 rupees to 3.00 rupees per quintal (15-18 cents per 100 lb.) These increases are based on recommendations of the Agricultural Prices Commission and will be applicable to new-crop wheat and chickpeas of fair average quality when offered at the assembling points.

The new support prices of wheat in the wheat-producing States of Punjab, Haryana, Himachal Pradesh, Rajasthan, Bihar, Uttar Pradesh, and Madhya Pradesh, expressed in dollars per bushel, are as follows: Red, $1.80 per bushel; white, $1.94; superior farm, $2.09. For the other states, support prices are: red, $1.91 per bushel; white, $2.06; superior, $2.20.

The support price of chickpeas has been fixed at 43 rupees per quintal ($2.60 per 100 lb.) in all States, as compared with the previous level of 40 rupees to 40.5 rupees per quintal ($2.42-$2.45 per 100 lb.).

A significant feature of the government's new wheat price-support policy is the differential introduced in the support prices for wheat-producing areas and those where wheat is a marginal crop. Heretofore, support prices have been uniform for the country. The new prices for the wheat-producing areas represent an increase of 4 rupees per quintal (14.5 cents per bu.) over the existing levels; for the other States, the new prices are 7.25 rupees per quintal (26.3 cents per bu.) higher than for the 1966 harvest.

A spokesman of the Ministry of Food and Agriculture indicated that the general increase in the support prices for the 1967 harvest was authorized in view of the rise in cost of production and the need to provide further incentives to farmers. He stated that the higher support price authorized for marginal producing States is intended to prompt them to expand the area under wheat.

The announcement regarding higher support prices came too late to have any effect on the area under this year's wheat and chickpea crops, plantings of which were completed last October and November. However, it may have some effect on the postsowing operations, such as increased application of fertilizers.

Market prices of wheat and chickpeas continue to be well above the new support levels (100 percent higher in many places) and there is little possibility of their coming down to near the support levels in the coming months.

—James H. Boulware
U.S. Agricultural Attaché, New Delhi

Indonesia Striving To Pull Out of Economic Tangle

By CLARENCE E. PIKE
Foreign Regional Analysis Division
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Indonesia, like many underdeveloped countries, is unable to produce enough food to feed its people, and its agricultural exports, which are the most important source of foreign exchange, are not earning enough to finance the country's import needs.

This situation is not the result of inadequate natural resources, for although Indonesia has a population of 110 million people, it is one of the world's most richly endowed countries. Rather, the country's plight stems from more than a decade of mismanagement. Virtually no investments that would contribute to building up the economy have been made since the start of World War II. Also, while Indonesia has been the recipient of large amounts of grant aid and loans, most of this has long since been eaten up or invested in armaments that are now useless because of lack of maintenance and spare parts.

Today though, there are some indications that Indonesia is trying to pull itself out of its economic tangle. Following an abortive Communist coup in September 1965, a new government led by military officers cautiously worked its way into power. It is nationalistic and anti-Communist. It appears determined to try to operate the country on a rational basis, despite the many political hurdles that must be surmounted.

This is the last in a series of articles on the agriculture and economy of four Asian countries—Taiwan, South Korea, Burma, and Indonesia.

First steps taken

An agreement has been worked out bringing the confrontation with Malaysia to an end. The country has recently rejoined the United Nations from which it withdrew early in 1965 and has reaffiliated itself with several other international organizations such as the World Bank, ECAFE, and FAO. Also, the government has met with some success in refinancing the country's burdensome foreign debts.

Currently, major emphasis in economic development is being placed on increasing the production of rice, the main item in the diet of the Indonesian people. Some progress has already been made in boosting rice yields on several hundred thousand hectares through the use of fertilizers and pesticides.

One of the more hopeful bits of news from Indonesia is that total crop output in 1966 reached an alltime record high. Production of paddy rice has been estimated at 5 percent above the 1965 record level of 14.9 million metric tons. Production of corn, the second most important grain, was probably about 10 percent higher than the record 1965 outturn. Sweetpotatoes, cassava, sugar, and most other food crops were also larger, while nonfood crops showed little change.

Farm products account for more than half of the value of Indonesia's officially recorded exports, now approxi-

Below, rice paddy shortly after seedlings have been transplanted and later at harvesttime. Below right, women selling pigs in typical Indonesian market.

mately $500 million annually, and there is a considerable volume that goes unrecorded. The leading agricultural exports are rubber, copra, palm oil, coffee, tea, tobacco, and pepper.

Rubber alone accounts for more than one-third of total exports and over two-thirds of all agricultural commodities shipped. In consequence, Indonesia has suffered rather severely from the sharp decline in world rubber prices which began last March as well as from the 1963 ban that it placed on shipments of crude rubber to Singapore. Unlike the other big natural rubber producers, Indonesia has not followed a systematic program of replanting with higher yielding varieties and, as a result, has fallen behind competitievly.

With regard to imports, rice is the No. 1 item purchased. Prior to 1965, imports were exceeding 1 million tons annually and would be at that level now if the country had the foreign exchange to finance such imports. As it is, imports of 400,000-500,000 tons of milled rice are anticipated for 1967. Of this, approximately 50,000 tons will come from the United States under Public Law 480, the remainder of the 100,000-ton agreement signed several months ago. Thailand and Burma usually have ranked first among rice suppliers to Indonesia.

Wheat flour, dairy products, cloves, and cotton are the only other farm products imported in significant quantities. This year Indonesia hopes to import some 180,000 tons of wheat, mostly on a concessional basis, and would like to obtain a large share from the United States, with smaller amounts from several other countries. Also, Indonesia will need to import annually from 150,000 to 200,000 bales of cotton if its textile industry is to operate at capacity.

Debt being readjusted

One of Indonesia's most serious economic problems is a foreign debt totaling about $2.5 billion, scheduled repayment of which equals or exceeds the country's total annual foreign exchange earnings. This debt is about equally divided between Communist and Free World.

Last September representatives of the Free World creditors met in Tokyo to discuss a rescheduling of debt payments. This was followed by a meeting in Paris in December at which it was agreed to give Indonesia up to 12 years to pay $350 million (due in 1967) on a combined debt of $1 billion. The Soviet Union and the Satellite East European countries appeared ready to make similar concessions on Indonesia's $1.2-billion debt to them.

Also, in October of last year President Johnson informed the Congress that national interest required the resumption of economic aid to Indonesia. By the end of that month the Indonesian Government announced that it had obtained $120 million of new grants from foreign countries: $36 million from the United States, $19 million from West Germany, $4 million from France, $18 million from the Netherlands, $30 million from Japan, and $13 million from India.

Thus, the new government is making some progress toward straightening out the country's chaotic financial situation. Nevertheless, the prospect is that in the years immediately ahead Indonesia will be in no position to finance a substantial amount of agricultural imports on a cash basis, so that sales of U.S. agricultural commodities to that country would be largely concessional.

Devaluation Fails To Spur India's Exports

Indian exporters have been disappointed in the past few months that the devaluation of the Indian rupee in June did not stimulate exports as they had hoped. In fact, in June, July, and August available export data showed a considerable decline in the quantities of agricultural and agricultural-based commodities exported, compared to exports in the corresponding period of the previous year.

The stimulus from devaluation was largely offset in the case of jute goods—India's largest single foreign exchange earning item—by short supplies of domestic jute in relation to demand. Also influential was the imposition of heavy export duties on hessian and sacking, the withdrawal of tax credits on exports, and increase in the cost of imported raw jute. Indian exports of jute goods are facing mounting competition from Pakistan, and it appears that export levies will need to be reduced before business will pick up for India.

Some measures have been taken that hopefully will increase domestic production of jute. On the basis of projected requirements of raw jute by mills during the Fourth Plan period, the production target has been revised from 10 million to 11 million bales to be achieved by 1970-71.

So that India can meet this target, the Indian Government is introducing jute cultivation on a large scale in the deep tube-well areas of West Bengal and in newly irrigated areas of Kosi and Irakud projects. Jute has also been encouraged as a second crop in rotation with paddy and potatoes in irrigated areas.

From a despatch by JAMES H. BOULWARE
U.S. Agricultural Attaché, New Delhi

Thailand Ups Premiums on Rice Exports

A new system of determining export premiums on private export sales of rice is now operating in Thailand. Under the new system, announced January 16, 1967, flat premiums assessed previously have been replaced by percentage premiums. The immediate effect has ben to increase premiums for all types and grades of rice by $1 to $5 per metric ton.

The new system gives the government greater flexibility in regulating exports to insure adequate supplies of rice for the domestic market. In 1966 the large volume of exports reduced stocks to an abnormally low level and cut into quantities needed for domestic consumption. As a result, domestic prices rose.

The current export premiums are a percentage of the higher of two prices—the government-fixed f.o.b. price for the type and grade of rice exported or the exporter's contract price.

For example, for white rice with up to 25 percent brokens, the minimum premium per metric ton through February 1967 will be $48.67—30 percent of the fixed f.o.b. price of $162.24 per metric ton. The exporter pays this premium if he sells for the fixed f.o.b. price or below it.

But if the exporter sells for, say, $164.60 per metric ton, his premium is 30 percent of that amount—$49.38.

Previously—from 1963 through 1966—the flat export premium for this kind of rice was set at $45.61. Export premiums and taxes on rice and other commodities constitute a major source of revenue for the government.

Japan To Import More Soybeans in 1967

On the basis of recent trends, soybean imports into Japan in 1967 are preliminarily projected at about 2,350,000 metric tons (86 mil. bu.), 10 percent larger than imports in 1966. All of the increase is to be in purchases from the United States, estimated at 1,965,000 tons (72 mil. bu.). Mainland China is expected to supply about 385,000 tons (14 mil. bu.), the same as last year.

Based on available data for 11 months, imports in 1966 are estimated at 2,135,000 tons, of which the United States supplied 82 percent and China virtually all the remainder.

JAPANESE SOYBEAN IMPORTS

Country of origin	1965	Estimate 1966	Forecast 1967
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*
United States	1,465	1,750	1,965
Mainland China:			
L-T Agreement	280	280	250
Friendly firms [1]	96	105	135
Total China	376	385	385
Others	6	(2)	(2)
Total	1,847	2,135	2,350

[1] Derived by subtracting the quantity of L-T imports from the total. [2] Negligible.
Compiled from the Finance Ministry Customs Bureau and trade sources.

Japan has contracted to purchase 250,000 tons of Chinese soybeans—30,000 tons less than in 1966—under the Liao-Takasaki (L-T) trade agreement (See *Foreign Agriculture*, January 16). The following table shows the final results of negotiations regarding shipment.

SOYBEAN SHIPMENTS TO JAPAN, CONTRACTED UNDER L-T AGREEMENT, 1967

Month of shipment	F.o.b.[1]	C.&f.[2]	Total
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*
First quarter:			
January	6,666	3,334	10,000
February	6,667	3,333	10,000
March	6,667	3,333	10.000
Total, first quarter	20,000	10,000	30,000
April-June	55,000	27,500	82,500
July-August	55,000	27,500	82,500
November-December	36,667	18,333	55,000
Total	166,667	83,333	250,000

[1] Japanese importers to receive soybeans at Chinese ports. [2] Mainland China to deliver to Japanese ports.
Takasaki Office, Tokyo.

The prices for the January-March shipments, decided on January 13, were £39.14.0 for f.o.b. and £42.0.5 for c.&f. This is equivalent to $144 per metric ton, Tokyo and Yokohama, including import duty.

At the Canton Fair (Oct. 15 to Nov. 15, 1966) the "friendly firms" reportedly contracted for 62,000 tons of "variety beans," which are used mainly for food. The price for "Honshu," the major variety purchased, is reported at £43.10 (f.o.b.) for January shipment. This is equivalent to $153 per ton, Tokyo or Yokohama, including import duty and handling charges.

In addition to increased imports of soybeans in 1966, Japan's imports of rapeseed and safflowerseed also increased. Rapeseed imports were about double those of a year earlier. Canada was the major supplier.

Northbound Suez Canal Shipments

Shipments of oil-bearing materials north through the Suez Canal during October-November 1966 amounted to 241,394 metric tons, or slightly above the same months in 1965. Increased shipments of peanuts, soybeans, and castorbeans offset reduced movements of copra and cottonseed. Movements of soybeans totaled 170,000 bushels, compared with none in October-November 1965.

Shipments of vegetable oils during October-November amounted to 107,199 tons, against 96,827 in the same months of 1965. The increase reflected larger movements of coconut, palm, cottonseed, and peanut oils.

Aggregate shipments of vegetable cakes and meals in October-November totaled 224,653 tons compared with 243,343 tons in the same months of 1965. The decline was due to reduced shipments of copra and peanut cake. Shipments of cotton seed and linseed cakes and meals increased.

NORTHBOUND SHIPMENTS OF OIL-BEARING MATERIALS THROUGH THE SUEZ CANAL

Item	November 1965	November 1966	October-November 1965-66	October-November 1966-67
	Metric tons	*Metric tons*	*Metric tons*	*Metric tons*
Soybeans[1]	0	2,349	0	4,697
Copra	75,749	92,277	181,148	166,560
Peanuts	7,837	3,489	12,868	20,946
Cottonseed	8,239	1,730	13,331	5,892
Flaxseed[2]	0	1,110	0	1,110
Castorbeans	3,022	3,520	5,732	16,717
Palm kernels	2,491	2,808	5,310	6,421
Sesame	1,874	2,207	8,780	5,025
Others	7,122	8,218	11,989	14,026
Total	106,334	117,708	239,158	241,394

[1] Metric ton of soybeans equals 36.7 bu. [2] Metric ton of flaxseed equals 39.4 bu.
Suez Canal Authority, Cairo, Egypt.

NORTHBOUND SHIPMENTS OF SOYBEANS THROUGH THE SUEZ CANAL

Month and quarter	Year beginning October 1: 1962	1963	1964	1965	1966
	1,000 bu.	*1,000 bu.*	*1,000 bu.*	*1,000 bu.*	*1,000 bu.*
October	11	0	1,443	0	86
November	0	19	160	0	86
December	2	0	0	110	—
October-December	12	19	1,604	110	—
January-March	1,328	1,484	2,826	1,963	—
April-June	573	706	1,376	1,026	—
July-September	1,584	4,106	1,562	1,588	—
Total October-September	3,498	6,315	7,368	4,687	—

Totals computed from unrounded numbers.
Suez Canal Authority, Cairo, Egypt.

Philippine Exports of Copra, Coconut Oil

Registered exports of copra from the Philippine Republic during calendar 1966 totaled 906,334 long tons, compared with 858,732 in 1965. Of the total, 254,433

tons moved to the United States, compared with the 1965 figure of 253,939.

Exports of coconut oil amounted to 303,661 long tons, against 230,325 in 1965. Movements to the United States amounted to 254,292 tons, against 181,429.

PHILIPPINE REGISTERED EXPORTS OF COPRA AND COCONUT OIL

Commodity and destination	December 1965	December 1966[1]	January-December 1965	January-December 1966[1]
	Long tons	*Long tons*	*Long tons*	*Long tons*
Copra:				
United States	16,000	23,400	253,939	254,433
Europe	90,650	41,550	538,649	576,445
South America	4,300	—	23,044	28,751
Japan	5,000	4,000	41,100	43,250
Middle East	—	—	1,500	2,155
Other Asia	—	—	500	—
Africa	—	—	—	1,300
Total	115,950	68,950	858,732	906,334
Coconut oil:				
United States	23,740	24,534	181,429	254,292
Europe	4,731	—	48,487	46,934
South Africa	—	—	409	2,435
Total	28,471	24,534	230,325	303,661

[1] Preliminary.
Associated Steamship Lines, Inc., Manila.

Argentina's Second Flaxseed Estimate Up Slightly

The second official estimate of Argentine flaxseed production in 1966-67, to be released early in February, is expected to be 540,000 tons (21.3 mil. bu.). This compares with the first estimate of 510,000 tons (20.1 mil. bu.) and the 1965-66 production of 570,000 tons (22.4 mil. bu.).

Hong Kong Cotton Industry Active

Hong Kong's cotton textile industry has been operating at or near capacity for the past several months. Based on actual consumption data for the first 11 months (August-June), consumption for the full 1965-66 season reached an estimated record 650,000 bales (480 lb. net) and will likely be even larger in 1966-67.

Currently, export business in yarns and textiles is being sustained by large Indonesian purchases, by an improved market outlook in the United Kingdom following removal of the 15 percent surcharge, and by an increase in shipments to the United States under liberalized terms of the recently concluded 5-year bilateral agreement. The agreement, which is retroactive to October 1, 1965, provides for an overall limitation of 322.5 million yards of cotton-textile exports to the United States for the first year (Oct. 1, 1965-Sept. 30, 1966). This overall limitation is further broken down into four group limits, with provision for an increase within these four groups of 5 percent for the second and each subsequent year of the agreement.

Imports of raw cotton by Hong Kong in 1965-66 were a record 641,000 bales. Principal sources and quantities in 1,000 bales were Pakistan 149, the United States 121, Tanzania 102, Brazil 95, Mexico 38, Uganda 33, and Nicaragua 25. In the first 3 months (Aug.-Oct.) of 1966-67, Hong Kong imported 177,000 bales, 7 percent more than in the same period a year earlier.

Stocks of raw cotton on August 1, 1966, were estimated at about 85,000 bales, less than a 2 months' supply at the current rate of consumption.

U.S. Cotton Exports Higher in December

Exporters of U.S. cotton amounted to 607,000 running bales in December, the largest for a single month since December 1964. Total exports in the August-December period of 1966 were 2,120,000 running bales, 45 percent above exports of 1,465,000 bales in the same period of 1965.

U.S. COTTON EXPORTS BY DESTINATION
[Running bales]

Country of destination	Year beginning August 1: Average 1955-59	1964	1965	Aug.-Dec. 1965	Aug.-Dec. 1966
	1,000 bales	*1,000 bales*	*1,000 bales*	*1,000 bales*	*1,000 bales*
Austria	33	11	3	1	3
Belgium-Lux	160	80	43	29	33
Denmark	17	6	7	2	3
Finland	22	11	8	3	8
France	360	184	108	57	77
Germany, West	475	217	92	53	88
Italy	416	260	102	41	98
Netherlands	124	65	38	9	12
Norway	10	13	10	6	6
Poland & Danzig	85	66	42	14	54
Portugal	28	22	6	4	0
Spain	171	28	10	3	(1)
Sweden	75	58	59	32	38
Switzerland	64	66	35	22	39
United Kingdom	525	153	131	62	69
Yugoslavia	108	109	169	107	131
Other Europe	17	11	12	5	4
Total Europe	2,690	1,360	875	450	663
Australia	54	60	33	15	9
Canada	217	390	269	131	102
Chile	35	1	3	1	(1)
Colombia	33	1	57	56	[illegible]
Congo (Leo.)	0	29	25	18	8
Cuba	27	0	0	0	0
Ethiopia	4	4	20	8	3
Hong Kong	134	150	94	47	91
India	184	243	63	26	66
Indonesia	30	47	(1)	0	89
Israel	16	23	5	3	1
Japan	1,154	990	705	333	579
Korea, Rep. of	205	261	301	165	135
Morocco	10	12	12	5	10
Pakistan	14	9	6	4	2
Philippines	64	75	93	29	65
South Africa	26	43	27	15	15
Taiwan (Formosa)	153	203	178	75	177
Thailand	4	55	55	28	32
Uruguay	15	0	(1)	0	0
Venezuela	2	6	5	5	1
Vietnam[2]	2	63	73	28	32
Other countries	27	35	43	23	39
Total	5,100	4,060	2,942	1,465	2,120

[1] Less than 500 bales. [2] Indochina prior to 1958. Includes Laos and Cambodia.

Swiss Cigarette Output Declines

Cigarette output in Switzerland during the first 9 months of 1966 reportedly totaled 11.5 billion pieces, or almost 17 percent below the 13.8 billion produced for the same period in 1965 but equal to the volume produced during January-September 1964. The decline was caused by new fiscal measures put into effect on January 1, 1966, which increased the retail price of the popular brands by 20 percent.

Ontario's Flue-Cured Prices Continue Strong

Flue-cured auction prices in Ontario, Canada, continued strong following reopening of the markets after the holiday season.

Sales for the week ending January 13, 1967, amounted to 10.0 million pounds, at an average price of 73.6 Canadian cents per pound. This price compares with 72.2 cents for the week ending January 6, 1967, 75.4 cents for the week ending December 21, 1966, and 72.3 cents for the week ending December 16, 1966.

Cumulative sales of the 1966 Ontario crop through January 13, 1967, totaled 91.6 million pounds, at an average price of 72.3 Canadian cents per pound. Almost 45 percent has been sold from the current crop, estimated at 206 million pounds.

Hamburg's Prices on Fruits and Juices

Importer's selling prices, duty and tax paid, in Hamburg, West Germany for lots of 50-100 boxes in January 1966, October 1966, and January 1967 are compared below.

Type and quality	Size of can	Price per dozen units Jan. 1966	Oct. 1966	Jan. 1967	Origin
CANNED FRUIT		*U.S. dol.*	*U.S. dol.*	*U.S. dol.*	
Apricots, halves:					
Fancy	2½	3.45	3.45	3.51	S. Africa
Choice	2½	—	3.36	3.33	S. Africa
Quality not specified	2½	3.33	—	3.27	Spain
Do.	2½	4.80	4.80	5.04	U.S.
Fruit cocktail:					
Choice, heavy syrup	2½	5.58	4.92	4.95	U.S.
Do.	2½	—	—	5.04	Italy
Do.	#10	22.50	19.05	19.05	U.S.
Choice, light syrup	2½	5.52	4.86	4.71	U.S.
Do.	#10	20.55	—	18.75	S. Africa
Fruit salad, quality not specified	2½	4.78	4.38	4.47	Spain
Peaches, halves:					
Choice, heavy syrup	2½	4.11	3.81	3.84	U.S.
Choice, light syrup	2½	4.02	3.78	3.75	U.S.
Do.	2½	—	3.75	3.72	Australia
Do.	2½	—	—	3.72	S. Africa
Do.	2½	—	—	3.57	Argentina
Pears:					
Fancy	2½	—	—	5.22	Japan
Choice, light syrup	#10	—	15.45	15.45	Australia
Heavy syrup	2½	5.04	4.14	3.87	Italy
Quality not specified	2½	—	3.48	3.18	Italy
Do.	2½	—	3.90	3.75	Argentina
Do.	2½	4.60	—	4.65	U.S.
Pineapple:					
Whole slices:					
Fancy	2½	—	4.50	4.59	Philippines
Choice, 8 slices	2½	—	—	4.29	U.S.
Choice, no sugar	2	4.05	4.02	4.02	U.S.
Choice	2½	—	—	4.39	Philippines
Quality not specified	2½	—	3.57	3.54	Formosa
Do.	2½	3.24	3.51	3.54	Ivory Coast
Pieces and halves:					
Fancy, extra heavy syrup	2½	—	4.26	4.38	Philippines
Quality not specified	2½	3.27	2.97	2.97	Philippines
Do.	2½	3.15	2.94	3.00	Formosa
Do.	2	—	—	1.95	Ivory Coast
Do.	16 oz.	—	—	1.91	Malaya
Crushed:					
Fancy	2½	—	4.38	4.05	U.S.
Quality not specified	#10	—	—	12.06	Philippines
Do.	#10	—	8.40	8.55	Ivory Coast
Do.	#10	9.33	8.73	8.73	S. Africa
Sour cherries, pitted	15 oz.	3.99	3.93	3.90	Canada
Do.	303	—	—	3.84	U.S.
Do.	#10	—	—	27.00	Poland
CANNED JUICE					
Grapefruit, unsweetened	43 oz.	4.83	4.21	4.11	Israel
Do.	#2	1.94	1.82	1.92	Israel
Do.	#2	—	—	1.71	China
Do.	#2	2.70	2.19	2.25	U.S.
Orange, unsweetened	43 oz.	—	3.75	3.87	Greece
Do.	#2	1.73	1.66	1.73	Greece
Do.	#2	1.80	1.63	1.80	Italy

Argentine Beef Exports Set Record in 1966

The value of Argentine exports of refrigerated beef and veal in 1966 reached a record $261 million, according to information released by the National Meat Board. This is $20 million above the previous high set in 1964 and $22 million more than the 1965 value.

Shipments also increased substantially on a volume basis. They totaled 415,000 metric tons against 355,000 tons in 1965 an increase of 17 percent.

Sales of frozen beef for direct consumption, at 166,000 tons, showed the greatest improvement; 1965 exports were 133,000 tons. Shipments of frozen manufacturing-type beef also climbed, from the 1965 total of 54,000 tons to 77,000 tons in 1966. Exports of chilled beef, however, declined by almost 3,000 tons from the 161,000 tons registered in 1965. Shipments of cooked/frozen beef—most to the United States—doubled to 14,000 tons.

Ghana's Cocoa Crop Below Expectations

A rather sharp tail-off in recent Marketing Board purchases from farmers now indicates that Ghana's 1966-67 cocoa-bean main crop will not exceed the 396,000-long-ton level of the previous season.

Labor problems, pod rot, and the movement of a significant tonnage of contraband cocoa into the Ivory Coast are responsible for the downward revision in the 1966-67 harvest.

Denmark Enacts New Sugar Production Plan

The Danish Government recently signed a new agreement with the sugar factories and sugarbeet growers, outlining the scope of Danish sugar production during the next 4 years.

According to the new scheme, government-guaranteed prices are strictly limited to sugar produced for the domestic market, being applicable only to a maximum sugar output of 248,000 metric tons per year. Previously, these prices were applicable to sugar production from a basic area of 50,000 hectares (124,000 acres) of sugarbeets. The factories and beet growers are free to produce more than this amount, but at their own risk.

Processing of Danish sugarbeets harvested in 1966 resulted in a total output of 293,000 metric tons of refined sugar. About 18,000 tons of this is destined for the export market.

New Export Quotas Set for Malagasy Vanilla

At a recent Paris meeting between the Malagasy Republic and the U.S. Vanilla Bean and Flavoring Extract Manufacturers Association, the Malagasy Republic agreed to allocate an export quota of 850 metric tons of vanilla beans for shipment to the United States during 1967. Prices will remain at $10.20 per kilogram ($4.63 per lb.), the same as in the 1966 quota arrangement.

Quota allotments have now been changed from a semi-annual to a quarterly basis, which will enable U.S. importers to carry smaller inventories. The 1967 distribution was set at 150 tons for the first quarter; 250 tons each during the second and third; and 200 tons for the final quarter.

It was decided that any unsold portions of the quotas

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would be automatically canceled at the end of each quarter. This ruling also applies to the last half of 1966, when U.S. buying failed to reach the 430-ton mark allocated for that period.

Panama Plans Reform in Corn Production

Panama recently inaugurated a supervised agricultural credit program to encourage heavier corn production. Sponsoring the new program are the Economic Development Institute; the Ministry of Agriculture, Commerce, and Industry (MACI); and the Agrarian Reform Commission.

For the first time, the Economic Development Institute will grant farmers credit based on their future crop; most of this credit will go to small farmers, who are the predominant corn producers in Panama.

Under the program, extension agents of the MACI and representatives of the Agrarian Reform Commission will develop a work plan for each farmer with a set schedule of procedures to be followed. With the use of improved seed and adequate fertilizer and with technical assistance to combat various crop hazards, yields are expected to show marked improvement.

Dutch Exporting Less Canned Milk

Exports of canned milk from the Netherlands in the first 8 months of 1966 were 6 percent below the same months of 1965. Shipments totaled 437 million pounds, compared with 463 million in the preceding year.

Sales to countries in Asia accounted for 165 million pounds, or approximately 38 percent of total shipments. Trade with most of the markets in this area showed a considerable decline. These included Thailand, whose takings were down 14 percent to 54 million pounds; Malaysia, down 46 percent to 18 million; and Burma, down 78 percent to 9 million. Among the traditional Asiatic markets for Dutch canned milk, only the Philippine Republic took more than in 1965—24 million pounds, compared with 16 million.

Sales to countries in Africa increased 7 percent to 84 million pounds. Shipments to Nigeria, the most important African market, were up 5 million pounds to 25 million. Other African countries which made larger purchases in January-August, 1966 than in the same months of 1965 included Libya, Ghana, the Ivory Coast, and Sierra Leone.

Of the 92 million pounds of Dutch canned milk sold in Western Europe, 52 million pounds went to countries in the EEC. West Germany took 40 million pounds; Belgium, 9 million; and Italy and France, the remainder. Among countries outside the EEC, Greece made the largest purchase—25 million pounds, only slightly below January-August 1965.

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